

**CITY OF FAYETTE**

**Independent Accountant's Report  
on Applying Agreed-Upon  
Procedures for the Period  
July 1, 2014 through June 30, 2015**



**Shaffer Company, PC**

117 East First St.  
P O Box 125  
Sumner, IA 50674-0125

**CITY OF FAYETTE**

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**For the Period  
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# City of Fayette

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## City of Fayette

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Andrew Wenthe	Mayor	January 2016
Patty Nefzger	Mayor Pro Tem	January 2016
Dan Boberg	Council Member	January 2016
Kris McGrane	Council Member	January 2016
Richard Patrick	Council Member	January 2016
Todd Sorensen	Council Member	January 2016
Christie Dennis	City Administrator/Clerk	Indefinite
Jeff Bradley	Treasurer	January 2017
John Hofmeyer III	City Attorney	Indefinite
Gerald Hildebrand	Public Works Director	Indefinite
Jason Rohde	Fire Chief	January 2016



**SHAFFER COMPANY, P.C.**

***Certified Public Accountant***

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**Independent Accountant's Report on Applying Agreed-Upon Procedures**

**To the Honorable Mayor  
and Members of the City Council:**

I have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Fayette for the period July 1, 2014 through June 30, 2015. The City of Fayette's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures I performed are summarized as follows:

1. I reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. I reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.

6. I reviewed the City's fiscal year 2014 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. I reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. I reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. I reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. I reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. I reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. I reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. I reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. I reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. I reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. I reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, I identified various recommendations for the City. My recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had I performed additional procedures, or had I performed an audit of the City of Fayette, additional matters might have come to my attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Fayette and other parties to whom the City of Fayette may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Fayette during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

**SHAFFER COMPANY, P.C.**

*Shaffer Company, P.C.*

Sumner, Iowa

March 15, 2016

## **Detailed Recommendations**



## City of Fayette

### Detailed Recommendations

For the period July 1, 2014 through June 30, 2015

- (A) **Segregation of Duties** – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparing and distributing.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparing and reconciling.
- (7) Journal entries – preparing and journalizing.

**Recommendation** – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (B) **Chart of Accounts** – The City has not fully implemented the recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee on September 25, 2002.

**Recommendation** – To provide better financial information and control, the recommended COA, or its equivalent, should be followed.

- (C) **Certified Budget** – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public safety function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

**Recommendation** – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

## City of Fayette

### Detailed Recommendations

For the period July 1, 2014 through June 30, 2015

- (D) **Library Checking Account** – The City of Fayette Library maintains separate checking account for certain library projects. It makes its own deposits and write its own checks from this account. The accounting records from this account are given to the City Clerk every month so the transactions and resulting balances are included in the City's accounting records.

**Recommendation** – Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." It is best if the City Clerk can have complete control over this checking account for better accountability, financial and budgetary control. The financial activity and balances of this account are being included in the City's accounting records on a monthly basis. The City should also get a copy of the monthly bank statement and account reconciliation to review and put in the library file.

- (E) **Electronic Check Retention** – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check for several bank accounts.

**Recommendation** – The City should obtain and retain images of both the front and back of cancelled checks for all bank accounts as required by Chapter 554D.114 of the Code of Iowa.

- (F) **Compliance with the Internal Revenue Code** – Internal Revenue Code Section 148 requires that the City maintain written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements. The City does not have these written procedures.

**Recommendation** – The City should consult with its bond counsel and determine the proper form of written procedures. Those written procedures should then be approved by the City Council.

- (G) **Wage Increase Approval** – The Council approves wage increases as a percentage of cost of living for full time employees.

**Recommendation** – The City should specify the hourly rate or salary by employee, not just the increase.

## City of Fayette

### Detailed Recommendations

For the period July 1, 2014 through June 30, 2015

(H) **Financial Condition** – As of June 30, 2015, the City had deficit balances in the following funds:

CDBG Sewer Project	\$273,635
Landfill/Recycling	\$420
CDBG Façade Grant	\$86,020
Downtown Capital Project	\$16,227

**Recommendation** – The City should take steps to reduce and eventually eliminate these deficits to return the funds to a sound financial condition.

City of Fayette

Staff

This agreed-upon procedures engagement was performed by:

Roger L. Shaffer, C.P.A., Owner & Manager of the Firm

SHAFFER COMPANY, P.C.

A handwritten signature in black ink, appearing to read 'R. Shaffer', with a long horizontal flourish extending to the right.

ROGER L. SHAFFER  
Certified Public Accountant